

What's New

FAMILY SIZE TAX CREDIT—This credit provides benefits to individuals and families at incomes up to 133 percent of the threshold amount based on the federal poverty level. The 2015 threshold amount is \$11,770 for a family size of one, \$15,930 for a family of two, \$20,090 for a family of three and \$24,250 for a family of four or more.

STANDARD DEDUCTION—For 2015, the standard deduction is \$2,440.

SAME SEX COUPLES—In accordance with the United States Supreme Court's decision in the case styled as *Obergefell vs. Hodges*, 135 S.Ct. 2071 (U.S. 2015), Kentucky will now license a marriage between two people of the same sex. Kentucky will also recognize a marriage between two people of the same sex when their marriage was lawfully licensed and performed out-of-state. The court decision affords new filing status options to married same-sex couples when filing their Kentucky income tax returns.

Married same-sex couples may elect to file a joint return or a combined return rather than filing separate returns if they are married at the close of the taxable year. A surviving spouse of a married same-sex couple may also elect to file a joint return or a combined return if the spouse died during the taxable year.

PREPAID DEBIT CARD AVAILABLE AS A REFUND OPTION—Effective for tax year 2015, taxpayers will now have an additional option for receiving their refund. Taxpayers may choose to receive their refund on a prepaid debit card issued by Bank of America by checking the appropriate box under Refund Options. Taxpayers also have the option of receiving the debit card disclosure material in Spanish.

PAYMENTS WITH PAPER RETURNS—Taxpayers who file paper returns and owe additional tax are required to send their payment with Form 740-V, Kentucky Payment Voucher. Form 740-V and payment should be enclosed in the same envelope as the return, but not attached to the return or each other.

FORM EPAY—This new form was created in order to authorize the Kentucky Department of Revenue and its designated Financial Agent to initiate an ACH electronic funds withdrawal to the financial institution account indicated by the taxpayer for payment of taxes and estimated tax other than at the time of filing the individual income tax return. If the request is being made at the time of filing the individual income tax return, Form 8879-K, Kentucky Individual Income Tax Declaration For Electronic Filing should be completed.

AMENDED RETURNS—Effective for tax year 2015, taxpayers may elect to file 2015 amended returns electronically.

LOCAL HISTORY TRUST FUND—Effective for taxable years beginning January 1, 2015, HB 445 (2014) provides that any taxpayer required to file a return under KRS 141.180 who is entitled to an income tax refund and who desires to contribute to the local history trust fund may designate an amount, not to exceed the amount of the refund, to be paid to the trust fund. A check-off box for the local history trust fund has been added to the Fund Contributions available on the 2015 Kentucky individual income tax return.

ANGEL INVESTOR TAX CREDIT—Effective for taxable years beginning on or after January 1, 2015, HB 445 (2014) makes available a nonrefundable personal income tax credit under the Kentucky angel investment credit program to individuals who invest a minimum of \$10,000 in certain Kentucky small businesses with high-growth potential that are engaged in knowledge-based activities, such as bioscience, environmental and energy technology, health and human development, information technology and communications, and materials science and advanced manufacturing, that will further the establishment or expansion of small businesses, create additional jobs, and foster the development of new products and technologies.

DISTILLED SPIRITS TAX CREDIT—HB 445 (2014) creates a nonrefundable and nontransferable credit that may be claimed by income taxpayers who pay Kentucky property tax on distilled spirits. If the taxpayer is a pass-through entity, such as a partnership or limited liability company classified as a partnership for Kentucky income tax purposes, the taxpayer may apply the credit against the LLET and pass the credit through to its members, partners, or shareholders in the same proportion as the distributive share of income or loss is passed through. For tax year 2015, the distilled spirits credit is equal to 20 percent of the property tax assessed and timely paid for taxable years beginning on or after January 1, 2015.

FILM PRODUCTION TAX CREDIT PROGRAM EXPANDED—HB 340 (2015) amends KRS 148.544 to expand the film tax credits for tax years beginning on or after January 1, 2015, by reducing the threshold for qualifying expenditures for all companies and providing an enhanced incentive for Kentucky-based companies. The credits may be claimed against corporation income tax, limited liability entity tax (LLET) and personal income tax for qualifying production and payroll expenditures incurred by companies to film or produce a feature-length film, television program, industrial film, documentary, commercial or touring production of a Broadway show in Kentucky.

The new threshold amounts are \$250,000 for feature-length films, television programs or industrial films (\$125,000 for Kentucky-based companies); \$100,000 for commercials; and \$20,000 for documentaries and/or Broadway shows (\$10,000 for Kentucky-based companies for documentaries only).

If the production or filming takes place in an enhanced incentive county, the credit is 35 percent of the expenditures; otherwise, it is 30 percent, still increased from the original legislation's 20 percent. If expenditures are paid on Kentucky resident crew members, the company gets a 35 percent credit on those costs.

HISTORIC REHABILITATION TAX CREDIT REGULATION ADOPTED—The Kentucky Heritage Council has now adopted 300 KAR 6:010 to implement the Certified Historic Structures Rehabilitation Tax Credit that may be used to offset a taxpayer's liability for Kentucky corporation income tax, limited liability entity tax (LLET), bank franchise tax or personal income tax. The regulation provides a detailed explanation of the credit application process, the authority of the Executive Director of the Kentucky Heritage Council to

recapture credits and to inspect property, the appeal process if there is a determination that the rehabilitation project does not qualify for the credit and the fees for processing rehabilitation certification requests.

METROPOLITAN COLLEGE CONSORTIUM TAX CREDIT EXTENDED—HB 202 (2015) extends the sunset date to April 15, 2027, from the previous April 15, 2017. The Metropolitan College Consortium (MCC) tax credit is a nonrefundable credit that may be claimed against Kentucky corporation income tax, limited liability entity tax (LLET) and personal income tax. The new sunset date for the MCC tax credit is effective July 1, 2015.

INNOCENT SPOUSE RELIEF—HB 299 (2015) amends KRS 141.180 and establishes relief for an innocent spouse to be effective as of the date that the Internal Revenue Service approved the relief or as of the date that the Kentucky Department of Revenue (DOR) approved the relief, if there is no federal income tax liability. It also allows for payments made after the effective date of the relief to be refunded as applicable.